
The May Department Stores Company
and Subsidiary Companies

ANNUAL REPORT

FOR THE YEAR ENDED JANUARY 31, 1928

To the Stockholders of

The May Department Stores Company:

Your Board of Directors respectfully submit the annual report of the Company for the fiscal year ended January 31, 1928.

They believe that the result of operations for the past year was satisfactory.

The net sales of all our stores for the fiscal year just ended amounted to \$102,756,197.20 compared with \$100,522,928.23 for the previous year.

The net profit, after adequate provision for Federal income taxes, amounted to \$6,498,927.14.

The changes in the capitalization of the Company, which were outlined in the last annual report, were consummated during the year, with the result that all of the preferred capital stock has been retired and the ownership of the Company's net assets is vested in the common capital stock. The authorized capital now consists of 1,200,000 shares of common stock, of which 1,152,182 shares were outstanding at January 31, 1928. The remaining unissued stock, or 47,818 shares, has been reserved for sale to old and valued employees of the Company. Of the 56,000 shares set aside for that purpose, as explained in the report for the previous year, 8,182 shares were issued to employees during the year just ended, and approximately the same amount will be issued during the coming year.

The net increase in surplus, after deduction for dividends paid, resulting from earnings for the year, together with changes in the financial structure of the Company, amounted to \$4,167,424.84.

Inventories of merchandise have been taken conservatively as heretofore and valued at cost or market, whichever was the lower. Accounts receivable have been stated at realizable values.

Provision for the depreciation and amortization of capital assets has been made upon the basis previously established.

During the year the Company acquired the entire business, assets, real estate and goodwill of the Bernheimer-Leader Stores, Inc., in Baltimore, Maryland, and since September 9, 1927 has operated the store under the name of The May Company of Baltimore. The store is housed in a well equipped and modern building favorably located. Satisfactory progress has been made in the work of reorganization and rehabilitation necessary to bring the store up to the standards of the other stores

operated by your Company. Your directors believe that the Baltimore store will prove to be a valuable acquisition and that substantial returns will be realized from the investment.

The lease to part of the property on which the Akron store building was located will expire March 31, 1928 and as the remaining part of the building was entirely inadequate it was deemed advisable to erect a modern and suitable building on a site acquired in a far better location for department store purposes. The new building, which has just been occupied, is a six story modern fire-proof structure with patrons' garage and warehouse with trackage and delivery facilities and is fully equipped with most modern fixtures and appurtenances necessary for the efficient operation of a retail establishment.

A new warehouse and delivery station with trackage facilities has been constructed in Cleveland to provide additional facilities required for the efficient handling of merchandise.

During the past year a long felt need of the Los Angeles store has been filled by the erection of a patrons' garage. The building, a steel and concrete structure, was completed about September 1, 1927 and is located within half a block of the store. In addition to the nine floors of parking space for the convenience of patrons of the store, the building includes rental space for stores from which substantial income will be derived.

After negotiating for many years, your officers have succeeded in obtaining, on an advantageous basis, a lease of four additional floors of the building in which the St. Louis store is located. The additional space provides the necessary room for needed expansion. It is expected that the extensive alterations now under way will be completed before the Fall season begins.

It is fitting that in closing this report we comment on the death of Colonel David May, who died July 22, 1927 at the age of 79 years. He was the founder of this Company and served it well and faithfully for many years as President and as Chairman of the Board of Directors. The efficient organization, the rapid and substantial growth of the Company and its present sound financial position are mainly attributable to his genius and untiring energy. The loss of Colonel May has been a cause for great sorrow to his many friends and particularly to the officers and employes of your Company. The members of the executive personnel, trained under his guidance, are well equipped to continue his conservative policies.

Yours respectfully,

MORTON J. MAY,
President.

THE MAY DEPARTMENT

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash	\$5,911,941.32
United States Liberty Loan Bonds.....	4,100.00
Accounts receivable (less reserves \$724,696.57).....	10,661,153.58
Notes receivable.....	10,219.76
Sundry debtors	579,739.47

Inventories:

Merchandise on hand at cost or market whichever lower	\$16,703,463.56
Merchandise in transit.....	1,637,450.89
Merchandise in transit between branches.....	44,851.26
Sundry supplies.....	193,024.32

18,578,790.03

\$35,745,944.16

INVESTMENTS 805,991.75

DELIVERY EQUIPMENT..... 219,019.23

CAPITAL ASSETS:

Real estate, buildings, leases, equipment, furniture and fixtures, including capital stock of subsidiary real estate holding companies:

Balance February 1, 1927.....	\$16,920,343.77
Additions for the year.....	4,661,086.27

\$21,581,430.04

Established value of leases acquired subsequent to organization of Company (see property surplus, per contra)..... 3,422,358.75

\$25,003,788.79

Deduct reserve for depreciation and amortization:

Balance February 1, 1927.....	\$6,384,027.64
Provision for the year.....	\$610,625.91

Depreciation applicable at date of purchase to assets acquired during the year..... 175,688.36

\$786,314.27

Less charges to reserve for assets sold 2,606.66

783,707.61

7,167,735.25

17,836,053.54

DEFERRED CHARGES:

Prepaid insurance premiums, etc..... \$568,182.48

Net cost of reorganization and rehabilitation of the Baltimore store from September 9, 1927 to January 31, 1928..... 185,000.00

753,182.48

GOODWILL, trade names, etc..... 15,015,225.69

\$70,375,416.85

St. Louis, March 12, 1928. We have examined the books and accounts of The May Department Stores Company and accompanying Surplus Account and Profit and Loss Account are in accordance therewith and, in our opinion, correctly exhibit year then ended.

MENT STORES COMPANY

DIARY COMPANIES

ICE SHEET—JANUARY 31, 1928

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$3,396,772.60	
Accounts payable, merchandise in transit.....	1,637,450.89	
Notes payable.....	2,000,000.00	
Sundry creditors, including accrued state taxes.....	1,702,987.05	
Reserve for trading stamps, coupons, etc.....	249,450.10	
Purchase money mortgage.....	21,000.00	
		<u>\$9,007,660.64</u>

ALLOWANCES FOR FEDERAL, TAXES AND CONTINGENCIES..... 2,267,185.35

CAPITAL:

Capital stock:

Authorized, 1,200,000 shares at par value of \$25.00 each, whereof
issued and outstanding 1,152,182 shares..... \$28,804,550.00

Surplus, as per Account No. 2:

General surplus.....	\$26,873,662.11	
Property surplus.....	3,422,358.75	
		<u>30,296,020.86</u>
		<u>\$70,375,416.85</u>

\$70,375,416.85

Company and Subsidiary Companies, for the fiscal year ended January 31, 1928, and we certify that the above Balance Sheet and the
correctly exhibit the true financial condition of the combined Companies at the date stated and the results of their operations for the

TOUCHE, NIVEN & Co.,
Public Accountants.

**T E MAY DEPARTMENT STORES COMPANY
AND SUBSIDIARY COMPANIES**

SURPLUS ACCOUNTS, YEAR ENDED JANUARY 31, 1928

GENERAL SURPLUS:

Balance February 1, 1927..... \$18,756,237.27

Add:

Net profit for the year, per Account No. 3.....	6,498,927.14
Dividends on capital stock reacquired.....	1,154.50
Net increase resulting from the redemption of all preferred stock, the sale of 112,182 additional shares of common stock, the expense incident thereto and other changes in the financial structure of the Company.....	2,245,984.20
Special surplus reserved out of earnings of prior years pursuant to charter pro- visions relative to preferred stock, all of which has been retired.....	3,950,000.00
	\$31,452,303.11

Deduct:

Dividend No. 67 on preferred stock paid April 1, 1927.....	\$83,125.00
Dividends No. 62 to 65 on common stock paid March 1, June 1, September 1 and December 1, 1927.....	4,495,516.00
	4,578,641.00
Balance January 31, 1928.....	\$26,873,662.11

SPECIAL SURPLUS:

Balance February 1, 1927.....	\$3,950,000.00
Transferred to general surplus account.....	3,950,000.00

PROPERTY SURPLUS:

Established value of leases acquired subsequent to organization of the Company.	3,422,358.75
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TOTAL SURPLUS, carried to Account No. 1.....	\$30,296,020.86
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THE MAY DEPARTMENT STORES COMPANY
AND SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JANUARY 31, 1928

NET SALES, including sales of leased departments..... \$102,756,197.20

Deduct:

Cost of goods sold, selling, operating and general administrative expenses	\$95,040,711.70	
Depreciation of buildings and fixtures and amortization of leases, including amortization of established value of leases acquired subsequent to organization of Company.....	610,625.91	
		95,651,337.61
		<u>\$7,104,859.59</u>

Add:

Miscellaneous earnings, including net interest earned, income from investments, etc.....	419,067.55	
		<u>\$7,523,927.14</u>

Deduct:

Allowance for Federal taxes.....	1,025,000.00	
BALANCE, transferred to surplus, Account No. 2.....	\$6,498,927.14	